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ALLTEL

July 8, 1997

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JUL - 8 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, DC 20554

Re: Amendment of Part 1 of the Commission's Rules --
Competitive Bidding Proceeding
FCC Public Notice, "Wireless Telecommunication Seeks
Comment on Broadband PCS C & F Block
Installment Payment Issues
WT Docket 97-82

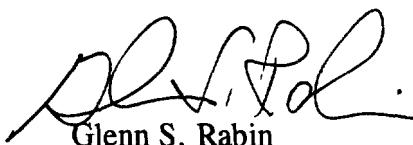
Dear Mr. Caton:

Enclosed for filing on behalf of ALLTEL Communications, Inc. ("ALLTEL") please find an original and four (4) copies of its Reply Comments in connection with the above-referenced matter.

In response to the Commission's Public Notice, DA 97-679, (released June 2, 1997), I am hand delivering two copies to the Auctions and Industry Analysis Division, Wireless Telecommunications Bureau, Room 5322, 2025 M Street, N.W., Washington, D.C. 20554, Attention: Sande Taxali.

Please address any questions respecting this matter to the undersigned counsel.

Very truly yours,

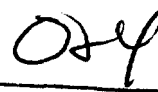

Glenn S. Rabin

GSR/ss

Enclosures

cc: (w/encls)
Sande Taxali

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
Federal Communications Commission
Washington, D.C. 20554

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In Re:)	
)	
Amendment of Part 1 of the Commission's)	
Rules -- Competitive Bidding Proceeding)	WT Docket 97-82
)	
FCC Pubic Notice, "Wireless)	
Telecommunications Bureau Seeks)	DA 97-679
Comment on Broadband PCS C & F)	
Block Installment Payment Issues")	

Reply Comments of ALLTEL Communications, Inc.

ALLTEL Communications, Inc. ("ALLTEL")¹ hereby submits its reply comments in response to the Commission's Public Notice² seeking public comment on the various

¹ ALLTEL Communications, Inc. is the corporate entity through which the various subsidiaries and affiliates of ALLTEL Corporation provide telecommunications services on a competitive basis. The affiliates and subsidiaries of ALLTEL Corporation which currently serve as FCC licensees continue to survive as separate corporate entities for Commission licensing and reporting purposes. ALLTEL Mobile Communications, Inc., a wholly owned subsidiary of ALLTEL Corporation, made a substantial equity investment in GO! Communications, Inc. ("GO") a promising participant in the C block auction. GO was ultimately forced to withdraw from the auction given what were considered at the time to be the unrealistically high bids for various markets which no realistic business case could justify.

² "Wireless Telecommunications Bureau Seeks Comment on Broadband PCS C & F block Installment Payment Issues", DA 97-679 (Released June 2, 1997).

proposals to modify the terms of the installment payments extended to entrepreneur broadband PCS licensees.

In its comments, ALLTEL argued that the integrity of the market-based auction mechanism must be maintained and that the Commission should require financially troubled licensees to exploit the secondary market for their authorizations prior to adopting any other suggested proposal for relief. Many of those parties filing comments shared ALLTEL's concerns.

The comments indicate that there is no consensus approach even among entrepreneurs. While some C & F band licensees actively support various forms of relief, a substantial number of others (as well as disappointed C block bidders) believe the FCC should enforce its existing rules, reclaim the licenses upon default and conduct a reauction. The later group of existing licensees, having bid prudently at auction and within their financial means, would apparently rather have the opportunity to bid on additional markets at reasonable prices at a reauction than the benefits of altered financing currently under consideration. Similarly, a number of parties objected to modifications to the attribution rules and limitations on assignment and transfers of control as serving to promote the exploitation (or takeover) of entrepreneur band licensees by far larger companies, some of whom refused to participate in any PCS auction despite ample resources. Clearly, substantively amending the rules or compromising debt to preserve the status of a select number of financially overextended licensees in the face of cogent countervailing legal arguments and Commission precedent is a path fraught with litigation and consequently,

uncertainty -- and it is uncertainty that is ultimately the greatest anathema to the capital markets upon which all C & F block licensees depend.³

In ALLTEL's judgment, the Commission cannot permit post hoc rationalizations citing the vagaries of the financial markets, the disappointing results of subsequent auctions, A & B block headstarts or vendor financing problems to cloud the central and incontestable fact before it: certain licensees drastically overbid of their own volition on too many markets and must be prepared to accept the consequences if the Commission's auction process is to retain an ounce of integrity in the future. In short, it is time for both the FCC and the licensees to assess their situations in the cold light of business necessity. Distressed licensees must sell off a portion of their holdings.

In its comments, ALLTEL suggested that PCS licensees on the verge of default should be required to first exploit the secondary market for their spectrum prior to the adoption of any other form of relief.⁴ The approach would not require any substantive amendment to the Commission's rules and would be consistent with a measured approach to relief. It allows a secondary market for spectrum to emerge without default or reauction thereby permitting other entrepreneur qualified entities (including rural

³ For example, Counsel to Antigone and PCS Devco openly stated his intention to litigate at the Commission's June 30th public forum. Further, once the door is open to after-the-fact changes in the rules governing financing, the Commission will be hard pressed to close it. For example, ALLTEL notes that licensees from other services such as SMR and Narrowband PCS are attempting to obtain better financing terms, sensing that the Commission may grant one or more of the forms of relief requested by certain of the PCS licensees. See for example the Comments of Conxus Communications, Inc. Indeed, an F block licensee is attempting to conform the terms of its financing to those provided to C block licensees. See generally Comments of Central Wireless Partnership.

⁴ See ALLTEL Comments at page 4. The secondary market for PCS spectrum may be made on the basis of partitioning, disaggregation or the assignment and transfer of entire markets all of which are permissible under the current rules.

telephone companies)⁵ to purchase territories and/or spectrum on the open market⁶. It also permits C & F block licensees to narrow the scope of their holdings, reduce their obligations, focus on selective buildouts and avoid default.

The secondary market approach, however, requires that the Commission, in the first instance, deny the various forms of requested relief and demonstrate a commitment to its auction process and current rules. Those rules already provide overextended licensees a ninety day period to make payments prior to default in addition to the opportunity to seek a further grace period of up to six months. Sufficient time is therefore already provided for distressed licensees to seek qualified buyers. Financially distressed licensees choosing to part with a portion of their spectrum holdings could be given the opportunity to seek special relief from various penalty payments (where liable) upon good cause shown in a manner similar to the waiver of penalty payments under the "amnesty day" proposal.

In conclusion, ALLTEL again notes that the Commission is under no obligation to prop up the business plan of any licensee or preserve the size and scope of a licensee's current holdings. Nothing either in the rules or any tenet of public policy requires that licensees on the verge of default retain all of their markets or all of either their spectrum or

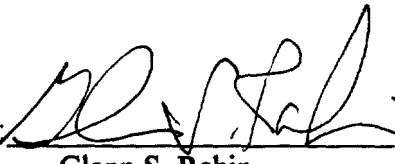
⁵ ALLTEL advocates that rural telephone companies should be accorded special relief to obtain PCS spectrum by virtue of the reference to such companies in section 309(j) of the Act. The Commission, however, should revisit the rules governing the partitioning of markets as suggested by the Rural Telephone Finance Cooperative and Horizon Personal Communications, Inc..

⁶ ALLTEL notes that concern has been expressed that given the rampant overbidding in the C block, the secondary market would not generate the same revenues as the initial auction. The entrepreneurs blocks, however, were never supposed to be solely about the money. See 47 USC Section 309(j)(7)(B). Rather, they were to be about opportunity. As noted by one party, the Commission may only be able to fulfill the promise of section 309(j) by making licenses available at more realistic prices. ALLTEL's proposal accomplishes the same end. Finally, ALLTEL notes that given the Pocket Communications bankruptcy proceeding, the FCC, by voluntarily subordinating debt, may never see payment on the Pocket licenses.

territory within a particular market. The secondary market will develop whether by licensees responsibly liquidating a portion of their holdings or by the Commission conducting a reauction after default or amnesty. While the net result may be similar, ALLTEL believes that a private market mechanism is the preferred route.

Respectfully submitted,

ALLTEL Communications, Inc.

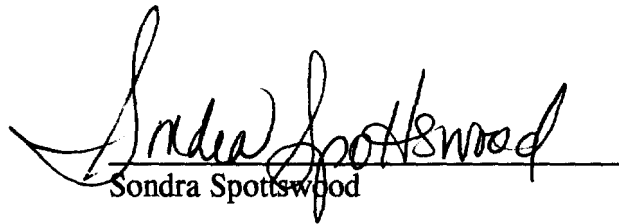
By: 
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Dated: July 8, 1997.

CERTIFICATE OF SERVICE

I, Sondra Spottswood, hereby certify that I have this 8th day of July, 1997, served the foregoing Reply Comments of ALLTEL Communications, Inc. either by hand service as indicated or by placing a true and correct copy of the same in the United States Mail, postage prepaid, addressed to the parties as set forth on the attached service list.


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